

CHAPTER 16 SOLAR ENERGY AND ENERGY CONSERVATION BANK

[Prior to 3/11/87, see Energy Policy Council[380] Ch 16]

565—16.1(PL96-294) Scope of authority and purpose. The Iowa Solar Energy and Energy Conservation Bank program is established to promote investments in solar energy technologies and energy conservation by Iowans in the residential sector and by nonprofit commercial/agricultural establishments. Funds for this program are made available through the Solar Energy and Energy Conservation Bank established under the Department of Housing and Urban Development by the Solar Energy and Energy Conservation Bank Act, Subtitle A, Title 1 of Pub. L. 96-294, 84, Stat. 611, 12 U.S.C. 3601 et seq., enacted on June 30, 1980.

565—16.2(PL96-294) Definitions.

“Agricultural building” means any building used exclusively in connection with the production, harvesting, storage, or drying of agricultural commodities.

“Annual income” has the meaning used for the Section 8 Housing Assistance Payment Programs of HUD, and means the total annual income of a family from all sources for the 12-month period following the date of determination of income, computed in accordance with the section of this title which prescribes the method of computation.

“Commercial building” means any building other than a one- to four-family residential or multi-family residential building which is used primarily to carry on a nonprofit business and is not used primarily for the manufacture or production of raw materials, products, or agricultural commodities. A building is used primarily to carry on a business if at least 50 percent of its floor space is devoted to the business. A building owned by a public body may be a commercial building unless it is used for general functions of government.

“Contractor” means a person or entity receiving payment, directly or indirectly, for installing a solar energy system or energy conservation measure. In the case of a solar energy system installed in a newly constructed building, the builder shall be considered the contractor. If installation is performed by a subcontractor, then the subcontractor may fulfill requirements such as the warranty requirements in rule 16.12(PL96-294).

“Cost-effective” means any measure which is listed in rules 16.15(PL96-294) and 16.18(PL96-294) which is expected to result in a dollar savings over the life of such system or measure that exceeds its cost over its useful life without consideration of the financial assistance of the bank.

“Covered product” means:

1. If the manufacturer provides a complete solar energy system to the supplier for installation by the contractor, then the entire system.
2. In all other cases, all components of a solar energy system which are designed for use in solar energy systems and which are not ordinary building materials generally used for construction purposes.

“Dwelling unit” means any building (including a manufactured home) or part of a building designed for year-round, nontransient residential use by one family.

“Energy audit” means:

1. An energy audit of a building or dwelling unit performed for purposes of Title II or Title VII of the National Energy Conservation Policy Act, 42 U.S.C. 8211 et seq. and 8281 et seq., respectively, or
2. In the case of a one- to four-family dwelling, an on-site inspection of the building or dwelling unit using procedures approved by a state or federal government entity (or performed by an energy auditor who is determined to be qualified by a state or local governmental entity) which includes a determination of and provides information on:

The type, quantity, and rate of energy consumption of such building or dwelling unit;

Energy conserving maintenance and operating procedures which can be employed to significantly reduce the energy consumption of such building or dwelling unit;

In the case of a one- to four-family residential building which does not contain a central heating or cooling system, or a dwelling unit in such building, the cost of purchasing and installing appropriate energy conservation measures, a solar energy system, or both, and the savings in energy costs which are likely to result from the installation of such measures or system; and

3. In the case of a commercial or agricultural building, an on-site inspection of the building using procedures approved by a state or federal governmental entity (or performed by an energy auditor who is determined to be qualified by a state or local governmental entity) which includes a determination of and provides information on:

The type, quantity, and rate of energy consumption of such building;

Appropriate energy conserving maintenance and operating procedures which can be employed to significantly reduce the energy consumption of such building; and

The need, if any, for the purchase and installation of energy conservation measures, a solar energy system, or both, in such building.

"Energy design analysis" means a technical analysis performed on the design of a building to assess the cost-effectiveness of the energy conserving features and use of solar energy on an annual basis performed by Iowa State University's Engineering Extension Office, a licensed engineer or architect qualified to conduct such an analysis, or by an energy auditor who is determined to be qualified by the state or local governmental entity.

"Financial institution" means:

1. Any lender with a current contract of insurance under Section 2 of Title I of the National Housing Act, (1934) 12 U.S.C. 1703,

2. Any utility providing financing for the purchase and installation of energy conservation measures or solar energy systems in accordance with the requirements of Title II of the National Energy Conservation Policy Act, (1978) 42 U.S.C. 8211 et seq.,

3. Any unit of general local government or Indian tribe which receives a grant under Title I of the Housing and Community Development Act of 1974, 42 U.S.C. 5301 et seq., which includes lending activities to be undertaken by the unit of general local government or Indian tribe,

4. Any public body for which a local loan approval agreement is in effect under the Section 312 Rehabilitation Loan program, 42 U.S.C. 1452(b) (1964),

5. Any lender currently approved to participate in HUD mortgage insurance programs under Title II of the National Housing Act, 12 U.S.C. 1709(b)(1) (1934),

6. Any public housing agency which is acting on behalf of tenant-grantees pursuant to rule 16.24(PL96-294),

7. Any neighborhood housing services corporation which meets the requirements of 4101.2(e) of Title 12 U.S.C.,

8. Any state, unit of general local government or Indian tribe which will provide financial assistance only in the form of grants,

9. Any chartered institution, permanent organization having succession, or trust in the following forms: any member of the Federal Reserve System or a lender whose accounts are insured by the Federal Savings and Loan Insurance Corporation, the Federal Deposit Insurance Corporation or the National Credit Union Administration, or any depository institution which is subject to the inspection and supervision of a governmental agency which is required by law to make periodic examinations of its books and accounts and has and maintains a net worth of not less than \$100,000 in assets acceptable to the state.

"Furnace" means any single heating unit or multiple-zoned heating unit either integral or modular, capable of meeting the heating capacity requirement of the building or zone as appropriate, but does not include a heat pump or a portable room heating unit.

“Gross annual sales” means the total revenues received over a 12-month period from selling goods or performing services before any deductions have been made for returns, allowances or discounts.

“Home heating index” means a thermal performance calculation of the home using the thermal integrity of the building envelope and mechanical systems in a normal heating season.

“Improvement cost” means:

1. The actual cost of an energy conservation measure (except an energy audit) or solar energy system,

2. Any incidental cost necessary to ensure the quality of the energy conservation measure or solar energy system (for example, providing adequate ventilation in connection with attic insulation), but not including the cost of repairs,

3. Cost of an energy audit (in excess of the first \$15 in cost for each dwelling unit covered by the audit for a one- to four-family or multifamily residential building or for a commercial or agricultural building), and

4. The actual cost to the recipient of the labor involved in the installation by a contractor. If more than one person is responsible for the cost of an energy conservation measure or solar energy system, then the amount of financial assistance for a person shall be based on the person's share of the total improvement cost. All costs must be certified in the installation certification required by rule 16.13 (PL96-294). All costs must be reasonable.

“Manufacturer” means:

1. For the purposes of warranties for solar energy systems, the producer of any covered product, and

2. For the purpose of warranties for energy conservation measures, the producer of any energy conservation measure.

“Nonprofit owner or tenant” means an owner or tenant of a commercial or agricultural building, which is organized under federal, state or local law as a nonprofit entity, and may include a public body.

“Passive solar energy system” means, with respect to a building, any component, addition, alteration or improvement which is designed to utilize solar energy for space or water heating based primarily on convective, conductive, or radiant energy transfer (or some combination of these types) to reduce the energy requirements of the building. In addition, such a system for space heating shall either contain the “five recognition factors” or shall be approved in writing by the bank. The “five recognition factors” are: (a) solar collection area, (b) an absorber, (c) a storage mass, (d) a heat distribution method, and (e) a heat regulation device. A “solar collection area” is a large area of transparent or translucent material, such as glass, positioned so that the rays of the sun directly strike an absorber. The collector area must be facing within 30° of south. An “absorber” is a surface, such as a floor, that is exposed to the rays of the sun. The absorber changes solar radiation into heat, and then transfers the heat to a storage mass. A “storage mass” is material, such as masonry, that receives and holds heat from the absorber and later releases the heat to the inside of the building. The storage mass must be large enough to store and deliver enough solar heat for the size of the building. Also, the storage mass must be located so that the stored heat is distributed directly to the conditioned areas of the building through a heat distribution method. A “heat distribution method” is a system that releases radiant or convective heating from the storage mass to the conditioned areas of the building. A “heat regulation device” is a shading or venting mechanism, such as awnings or insulated drapes, to control the amount of solar heat admitted through the solar collection areas, and nighttime insulation or its equivalent to control the amount of heat permitted to escape from the inside of the building. A building with a system for space cooling must be designed with a combination of inherent features that limit heat gain, control temperature by ambient/underground-cooled air ventilation, and provide a heat rejection capability during the cooler portion of the day-night temperature swing. Any passive solar energy space heating system must result in a reduction in annual energy consumption as determined by an energy design analysis versus a comparable building without such a system or systems having the same insulation levels except for such unique features as movable insulation.

“Solar domestic hot water system” means an active or passive solar energy system for heating potable water, and excludes any industrial process heat applications.

“Standard loan” means a loan having over its amortization period a fixed rate of interest and level monthly payments.

“Substantially rehabilitated” means that, with respect to an existing one- to four-family or multi-family residential building, a solar energy system has been installed and other improvements (costing at least \$1,000 per dwelling unit) have been made.

“Supplier” means:

1. For the purposes of warranties for solar energy systems, the supplier (other than the manufacturer) of any covered product,
2. For the purposes of warranties for energy conservation measures, the supplier of any energy conservation measure, and
3. For purposes of rule 16.12(PL96-294), a person who supplies an energy conservation measure directly to the recipient.

“Unit of general local government” means any city, county, town, township, parish, village, or other general purpose political subdivision of a state, or a combination of such political subdivisions.

FINANCIAL ASSISTANCE

565—16.3(PL96-294) General. Rules 16.3(PL96-294) to 16.14(PL96-294) set forth the conditions and requirements that are applicable to financial assistance for both solar energy systems and energy conservation measures.

565—16.4(PL96-294) Type of assistance. Assistance shall be provided in the form of principal reduction for the qualifying portion of the loan. The amount of financial assistance shall be subtracted from the total cost of the eligible measures and the remaining loan shall have terms and rates associated to unassisted loans. The bank may provide grants to individuals if these funds are used in connection with the council’s weatherization program.

565—16.5(PL96-294) Eligible recipient. An owner of a one- to four-family residential, nonprofit commercial or agricultural building who purchases and installs an energy conservation measure or solar energy system, or both, with the proceeds of a loan shall be eligible to receive financial assistance in connection with such loan if the applicant meets income guidelines discussed below:

16.5(1) An applicant applying for energy conservation assistance in one- to four-family dwelling units must have an income below 150 percent of median area income.

16.5(2) Landlords applying for assistance in the case of one- to four-family dwelling units may apply if their income exceeds 150 percent of median area income and if the tenant has an income below 150 percent of median area income.

16.5(3) In the case of commercial or agricultural applicants, they must be nonprofit organizations with annual gross sales below \$1,000,000.

16.5(4) For solar energy systems, the applicant must have an annual income below 250 percent of the median area income.

16.5(5) Assistance on behalf of others. An organization may receive financial assistance on behalf of any owner or tenant who would be eligible to receive financial assistance, if such owner or tenant consents to the arrangement in writing. Such owner or tenant must comply with rule 16.14(PL96-294), and must be reported to the Internal Revenue Service pursuant to 16.14(PL96-294). The organization shall be responsible for compliance with all requirements of this rule which would apply to the owner or tenant if the owner or tenant had received the financial assistance.

16.5(6) A tenant jointly renting a dwelling unit or a building with other tenants may apply for assistance individually, together with other tenants in a joint application, or with other tenants by separate application. If separate applications are made by two or more tenants jointly renting a dwelling unit or

building, such applicants collectively may not receive assistance which would exceed the maximum amount of assistance for which an applicant with an annual income equal to the average annual incomes of all tenants jointly renting the dwelling or building would be eligible.

16.5(7) Limitation on assistance to tenants. Financial assistance may be provided to tenants only if the owner of the tenant's building or dwelling unit has given written consent to the tenant for installation of the energy conservation measures.

16.5(8) Limitation on assistance to residents of housing cooperatives. Financial assistance may be provided to a resident of housing cooperatives only if the cooperative corporation has given prior written consent to the resident for installation of energy conservation measures.

16.5(9) Residential energy audit information. Financial institutions must inform applicants for financial assistance for energy conservation measures in one- to four-family or multifamily residential buildings, no later than the time that the application is submitted, of the availability of energy audits.

16.5(10) Relationship to federal programs. No assistance shall be provided for solar applications or energy conservation measures if the borrower has received, is seeking, or has a current commitment for assistance for the same solar energy system or conservation measure under any of the following programs:

- a. Housing and Urban Development.
 - (1) Section 235, Homeownership Assistance, 12 U.S.C. 1715z.
 - (2) Section 8 Lower Income Rental Assistance for New Construction and Moderate and Substantial Rehabilitation, 42 U.S.C. 1437f.
 - (3) Section 312 Rehabilitation Loans, 42 U.S.C. 1452b.
- b. Farmers Home Administration Section 515 Direct Loans, 42 U.S.C. 1485.
- c. Department of Energy.
 - (1) Institutional Conservation Program, 42 U.S.C. 6371 et seq.
 - (2) Weatherization Program, 42 U.S.C. 6861 et seq.

565—16.6(PL96-294) Repayment of loans.

16.6(1) *No prepayment penalty.* There shall be no prepayment penalty imposed on the borrower if payment is made before the end of the loan term.

16.6(2) *Terms of repayment.* Unless the financial institution establishes shorter terms at the request of the borrower (but not less than one year), financial assistance may be offered in connection with loans for:

- a. The purchase of energy conservation measures only if the term is not less than 5 years and not more than 15 years.
- b. The purchase and installation of solar energy systems for residential borrowers if the terms are not less than 5 years and not greater than 30 years.
- c. The purchase of solar installation for commercial/agricultural borrowers if the terms are not less than 5 years and not greater than 40 years.

565—16.7(PL96-294) Combined loan applications. Recipients may receive financial assistance with respect to a single loan for a combination of solar energy assistance and energy conservation assistance. The maximum assistance allowed will be equal to the sum of available assistance if the applications were filed separately.

565—16.8(PL96-294) Limitation on retroactive assistance.

16.8(1) Financial assistance shall not be provided in connection with the purchase and installation of solar energy or energy conservation measures in existing buildings if the expenditures or installation was made prior to application.

16.8(2) For new buildings, financial assistance shall not be provided in connection with a loan for the purchase of a building where permanent financing has been closed prior to the date of application for financial assistance.

565—16.9(PL96-294) Debarred contractors, suppliers and financial institutions. No contractor, supplier or financial institution shall be allowed to participate in this program if they are on either the Department of Housing and Urban Development's or General Service Administration's list of debarred contractors, suppliers and financial institutions.

565—16.10(PL96-294) Energy audit or energy design analysis required.

16.10(1) If the individual has Residential Conservation Service (I-SAVE) audits available to them through their local utility, an audit must be performed on the residence in the case of energy conservation assistance.

16.10(2) For solar energy systems, the applicant must have an energy design analysis performed. The design analysis must include the following information: (a) description of the system, (b) life of the system, (c) annual energy savings, (d) cost of the system, and (e) estimated payback years.

16.10(3) In areas where RCS audits are not available, the council cannot mandate audits be performed; however, it is recommended.

565—16.11(PL96-294) Cost effective. No assistance shall be provided for solar systems or energy conservation measures found not to be cost-effective as described in rule 16.2(PL96-294).

565—16.12(PL96-294) Warranties.

16.12(1) Statutory requirements. The Act requires that certain warranties be provided in connection with solar energy systems purchased and installed under this program.

a. The manufacturer of a solar system shall warrant in writing that the recipient, contractor, or supplier (for those systems found within three years to be defective because of faulty design, materials or manufacture) at a minimum will provide replacement parts or materials at no cost within a reasonable time.

b. The contractor or supplier for the installation of solar energy or energy conservation measures shall, in connection with such system, warrant in writing that, at a minimum, any defect in materials, manufacture, design, or installation found within one year from the date of installation shall be remedied without charge and within a reasonable period of time.

16.12(2) Manner of compliance. In cases of solar applications, a manufacturer's warranty for materials, manufacture and design and a contractor's warranty for installation are required. Suppliers or contractors may provide warranties for materials, design and manufacture of the system in addition to, but not instead of, the manufacturer's warranty.

565—16.13(PL96-294) Installation certificate required. Within 60 days of receiving a loan under this program the individual will submit to the department a certificate of installation. This certificate will include the following information:

1. The applicant's signature,
2. Energy conservation measure(s) or solar system(s) installed,
3. Total cost of the measure, and a statement that the cost equals or exceeds the cost estimate provided to the bank.

565—16.14(PL96-294) Prohibition against tax credits and financial assistance for same expenditure. Persons receiving assistance for energy conservation measures or solar systems under this program will be unable to claim tax credits for such measures.

SOLAR ENERGY

565—16.15(PL96-294) Eligible solar energy systems. The following solar energy systems shall be eligible for assistance:

1. Passive solar heating systems,
2. Passive and active domestic solar water heating.

565—16.16(PL96-294) Levels of assistance. Financial assistance shall not exceed the least of any applicable amounts described in subrule 16.16(1) or 16.16(2) for solar energy systems.

16.16(1) Fixed amount.

a. The maximum assistance allowed for passive solar heating systems shall be as follows:

- (1) \$4,000 for a one-family residential building,
- (2) \$7,500 for a two-family residential building,
- (3) \$10,000 for a three- to four-family residential family building,
- (4) \$100,000 for commercial or agricultural buildings.

b. The maximum amount of assistance for domestic hot water is 40 percent of the cost of the system up to \$1,000, whichever is less in the case of one- to four-family buildings. For commercial/agricultural applicants the maximum is \$12,500 or 40 percent, whichever is less.

c. In the case of a passive solar space heating system which does not benefit all the dwelling units in a building, the maximum dollar amount available shall be reduced by the percentage of dwelling units in the building which do not benefit from the system.

d. If more than one application for assistance is submitted by eligible applicants in connection with a solar energy system which benefits more than one dwelling unit, the aggregate financial assistance for those applicants may not exceed the maximum assistance indicated in this rule.

e. Energy saved. For passive solar energy systems, the following formula will be used to determine the amount of assistance allowed.

16.16(2) Design performance evaluation. The design performance factor is based on the relationship between the solar collection area of the passive system and the total gross heated living floor area. This performance factor must be determined by an energy design analysis performed by Iowa State University Engineering Extension Office. The performance factor calculates a ratio between the solar collection area (less a threshold effective collection size of 40 square feet per dwelling unit) and the gross heated living floor space in square feet. A ratio of less than zero provides a performance factor of zero; for a ratio between 0.0 and 0.1, the factor is 10 times the ratio; for a ratio between 0.1 and 0.3, the factor is 1.0; for a ratio between 0.3 and 0.4, the factor is 4 minus 10 times the ratio; for a ratio more than 0.4, the factor is again zero. The subsidy is determined by multiplying the maximum subsidy set forth in subrule 16.16(1) of this section by the performance ratio.

565—16.17(PL96-294) Standards. If financial assistance is in connection with a loan to a purchaser of a newly constructed or substantially rehabilitated one- to four-family residential building with any solar energy systems, the recipient must provide certification that the building meets or exceeds the standards contained in Paragraph 607-3, Building Insulation, of the HUD Minimum Property Standards for One and Two Family Dwellings, 4900.1 or Multi-Family Housing, 4910.1a, as appropriate. In addition, buildings must have a Home Heating Index (HHI) ratio of four or less. The HHI must be calculated by Iowa State University Engineering Extension Office. If the financial assistance is in connection with a loan to a purchaser of a newly constructed commercial or agricultural building with a solar energy space heating system, the purchaser must provide certification to the financial institution that the building meets the minimum insulation requirements of ASHRAE Standard 90A-1980 or any replacement.

ENERGY CONSERVATION

565—16.18(PL96-294) Eligible energy conservation measures.

16.18(1) One- to four-family residential buildings. The following shall be eligible energy conservation measures for one- to four-family residential buildings, subject to subrule 16.18(3).

- a. Caulking and weatherstripping,
- b. Furnace efficiency modifications including:
 - (1) Replacement burners, replacement furnaces, replacement boilers, or any combination thereof, which increases the energy efficiency of the heating system by at least 20 percent,
 - (2) Devices for modifying flue openings which will increase the energy efficiency of the heating system, and
 - (3) Electrical or mechanical furnace ignition systems which replace standing gas pilot lights,
- c. Clock thermostats or clock timers,
- d. Ceiling, attic, wall, floor, pipe, and duct insulation,
- e. Water heater insulation,
- f. Storm windows and doors, multiglazed windows and doors, heat-absorbing or heat-reflecting window and door materials (including films),
- g. Air conditioner replacements which achieve a greater than 20 percent increase in efficiency,
- h. Devices associated with load management techniques,
- i. A heat pump replacing a combination of electrical resistance heating and air conditioning,
- j. Water flow controllers,
- k. Conversion from master utility meters to individual meters, when directly related to and undertaken with the installation of any of the items specified in this subrule, paragraphs “b” to “h,” and l. Energy audits (as included in the definition of “improvement cost” in rule 16.2(PL96-294)).

16.18(2) Other buildings. The following shall be eligible energy conservation measures for commercial buildings and agricultural buildings, if found to be cost-effective.

- a. Caulking and weatherstripping,
- b. The insulation of the building structure and any systems within the building,
- c. Storm windows and doors, multiglazed windows and doors, heat-absorbing or heat-reflecting window and door systems (including films), glazing, reductions in glass area, and other window and door system modifications,
- d. Automatic energy control systems,
- e. Equipment, associated with automatic energy control systems, which is required to operate variable steam, hydraulic, and ventilating systems,
- f. Furnace, or utility plant and distribution system, efficiency modifications including:
 - (1) Replacement burners, replacement furnaces, replacement boilers, or any combination thereof, which increases the energy efficiency of the heating system by at least 20 percent,
 - (2) Devices for modifying flue openings which will increase the energy efficiency of the heating system, and
 - (3) Electrical or mechanical furnace ignition systems which replace standing gas pilot lights,
- g. Replacement or modification of a lighting system which increases the energy efficiency of the lighting system without significantly increasing the overall illumination of the building, including daylighting dimmers (unless such increase in illumination is necessary to conform to any applicable state or local law),
- h. Energy recovery systems which consist of equipment designed primarily to recover building waste energy from sources such as refrigeration or air conditioners for some useful purpose such as heating water,
 - i. Air-conditioning systems (not including heat pumps) provided that:
 - (1) The energy efficiency rating exceeds the average value of new air conditioners, which shall be determined by the bank and provided to states, or
 - (2) If they are replacement systems, they are at least 20 percent more efficient than the systems being replaced.

- j. Water flow controllers (not including controllers for flow of unheated water only),
- k. Conversion from master utility meters to individual meters, when directly related to and undertaken with the installation of any of the items specified in this subrule, paragraphs “b” to “k,” and
- l. Energy audits (as included in the definition of “improvement cost” in rule 16.2(PL96-294)).

16.18(3) Limitations. An energy conservation measure listed in subrule 16.18(1) shall not be eligible for assistance unless it has been found to be cost-effective or unless it is one of the following measures:

- a. Caulking and weatherstripping,
- b. Attic, pipe, and duct insulation,
- c. Water heater insulation,
- d. Devices for modifying flue openings located in conditioned living space,
- e. Electrical or mechanical furnace ignition systems which replace standing gas pilot lights,
- f. Clock thermostats or timers, or
- g. Water flow controllers.

565—16.19(PL96-294) Levels of assistance. Financial assistance shall not exceed any applicable amount determined under subrule 16.19(1).

16.19(1) Fixed amount and percentage of costs.

a. The maximum amount of assistance shall be determined according to the following chart (income limits are applied to the annual income of the family of the owner or tenant):

<u>Building Type</u>	<u>Assistance as Percentage of Improvement Cost</u>	<u>1-family building</u>	<u>2-family building</u>	<u>3-family building</u>	<u>4-family building</u>
One- to four-family residential bldg. Annual income of recipient:					
80% or less of median area income	50% up to	\$1,250	\$2,000	\$2,750	\$3,500
80-100% of median area income	35% up to	875	1,400	1,925	2,450
100-120% of median area income	30% up to	750	1,200	1,650	2,100
120-150% of median area income	20% up to	500	800	1,100	1,440
Over 150% of median area income*	20% up to	400	800	1,200	1,600

* Applies to rental property where the landlord’s income exceeds 150% of median, while tenants qualify and landlord applies for assistance.

b. Nonprofit commercial establishments are eligible for 20 percent of the cost of the eligible measures up to a maximum of \$5,000.

c. Landlords may apply for a maximum of three rental properties and receive assistance not in excess of \$5,000.

16.19(2) In the case of energy conservation measures which do not benefit all dwelling units within a building, any dwelling units in the building which do not benefit from the energy conservation measures shall be counted in determining the building type but shall not be counted in determining maximum assistance. In order to determine the number of dwelling units in a building, the following principles shall be applied:

All dwelling units sharing a common space conditioning system shall be considered part of the same residential building; and except in the case of a manufactured home park, all dwelling units located on or above land included in the most recent recorded deed shall be considered part of the same building, whether or not any space conditioning systems are shared.

16.19(3) If more than one application for assistance is submitted by eligible applicants in connection with energy conservation measures which benefit more than one dwelling unit, the aggregate financial assistance for those applicants may not exceed the maximum amount of financial assistance indicated in subrule 16.19(1) for the number of units benefited.

16.19(4) No dwelling unit will be served without written approval in advance from the tenant/owner or authorized rental agent. The benefits of assistance shall accrue primarily to low-income tenants. Rents shall not be raised because of the increased value of dwelling units solely attributable to loan assistance provided under this part; and no undue or excessive enhancement shall occur to the value of the dwelling units. A one household rental dwelling unit may be eligible if landlord has obtained written permission of the property owner or authorized agent.

565—16.20 Reserved.

PROGRAM OPERATION

565—16.21(PL96-294) Cooperative agreements with states. The financial assistance program of the bank is implemented through the state of Iowa. The department will enter into cooperative agreements with the bank which will form the legal framework for bank/department relationships during program implementation. The cooperative agreements will cover such matters as the allocation and obligation of funds for the department, the responsibilities of the department for the administration of its approved programs, federal requirements applicable to the administration of its approved programs, and procedures covering resolution of any disputes between the bank and the department, suspension or termination of Iowa's participation in programs of the bank, and program closeout.

565—16.22(PL96-294) Authorized expenditures.

16.22(1) Permissible uses of funds. Funds allocated by the bank to Iowa for implementing financial assistance programs shall be expended only for payments to financial institutions which have provided financial assistance in accordance with this rule, or for administrative expenses or promotional expenses.

16.22(2) Administrative expenses. Funds received from the bank may be used for payment of administrative expenses incurred in connection with an approved Iowa program, to the extent authorized in the cooperative agreement. All funds obligated to Iowa prior to October 1, 1983, which are used for administrative expenses must be matched with resources other than bank funds, so that the cumulative amount of such funds drawn from the bank for administrative expenses by Iowa or other administrative entity does not at any time exceed 50 percent of the cumulative amount of administrative expenses. For other funds, the bank shall authorize the amount requested by Iowa without any matching requirement. No more than 12 percent of the amount of funds obligated to Iowa during a fiscal year, or \$20,000 of such funds, whichever is greater, shall be authorized for administrative expenses.

The department may not draw from the bank more than one-half of the funds authorized for administrative expenses until the first grant or subsidized loan has been made in Iowa, and subsequently the cumulative amount of administrative expenses drawn from the bank shall not exceed 50 percent of authorized administrative expenses multiplied by a factor equal to one plus the ratio of the cumulative amount of funds drawn to pay for subsidies to the cumulative amount of funds obligated to Iowa for subsidies. This limitation on the amount of administrative expenses available will expire on January 1, 1985.

Administrative expenses shall not include the purchase of nonexpendable personal property (defined in attachment N of OMB Circular A-102, "Property Management Standards").

16.22(3) *Promotional expenses.* Funds received from the bank may be used for payment of promotional expenses incurred in connection with an approved Iowa program, to the extent authorized in the cooperative agreement. Promotional expenses may be incurred by Iowa and by any other designated administrative entities in the state. The bank will not authorize payment of promotional expenses in excess of 1 percent of the cumulative funds obligated to Iowa.

16.22(4) *Principles for determining allowable expenses.* Administrative and promotional expenses must be allowable under the principles and standards established in OMB Circular No. A-87, "Cost Principles for State and Local Governments."

565—16.23(PL96-294) *Selection of financial institutions.* A state will select the financial institutions which will provide financial assistance within the state. The department may serve as a financial institution itself as long as it qualifies under the definition set forth in rule 16.2(PL96-294).

565—16.24(PL96-294) *Appeal and complaint procedure.* The following appeal and hearing procedure shall be used.

16.24(1) In the event a household believes it is eligible for assistance but has been refused such service, it may appeal the eligibility determination by notifying, in writing, the director within 15 days of the decision and ask that a state hearing be held. The claimant must explain in writing why the department's decision is being appealed and include any information which might affect the decision.

16.24(2) The claimant will receive written notice of the department's scheduled hearing from the director. The notice will include the date, time and place of hearing. Hearings may be held by telephone at a mutually convenient time. Prior to the hearing the department will provide an opportunity for the claimant to review the case file and any written evidence that will be used in the hearing. An informal conference with the director or appropriate staff personnel may be requested for the purpose of discussing actions taken and resolving the issues raised in the request for hearing.

16.24(3) Appeals to the commission are governed by 567—Chapter 7.

These rules are intended to implement Public Law 96-294.

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